

A really scientific mortality basis for life assurance purposes on this side of the world can only be secured by an organized investigation of the combined mortality experience of New Zealand and Australian offices; and when it is realized that this combined Australasian experience is now many times larger than that of the old British H^m, and in the near future will approach within reasonable distance the extent of the new (O^m) experience, it may be thought probable that the investigation referred to will not be delayed much longer. It is by no means clear whether the resulting table of mortality would necessitate larger or smaller reserves than the British tables at present in use, but the many advantages accruing from such an investigation would far outweigh the cost to the offices concerned.

The valuation has therefore been made on the same basis as on the last occasion, the mortality table employed being the H^m Table of the Institute of Actuaries, and the future rate of interest being assumed at 3½ per cent. The valuation has been made, as formerly, on a strict net premium basis, whereby the *whole* margin of loading has been reserved as a provision for future expenses and profits.

The annuities were valued by the 1883 English Government Annuitants' Experience, using 3½ per cent. for the older annuities granted prior to June, 1896, and 3 per cent. for those granted subsequently.

The results of the valuation on this basis show that—

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The value of the total liability under the several contracts is	...	6,706,456
Deduct the value of the future net premiums		3,079,761
Leaving an immediate net liability of		3,626,695
The accumulated funds (after making further provision of £6,953 towards the Investment Reserve Fund) are		3,822,576
Difference, being surplus at 31st December, 1905	...	195,881
Add interim bonuses paid during the triennium		10,873
Result, being gross surplus of the triennium		<u>£206,754</u>

ALLOTMENT OF SURPLUS.

In 1902, as the result of an investigation into the working of the method of allotting surplus then in use, I recommended that the divisible surplus should in future be distributed in the form of a uniform reversionary bonus per cent. on the sum assured and existing bonuses, for each premium paid since the previous valuation. On this recommendation being submitted to the Consulting Actuaries in London, Messrs. R. P. Hardy and George King, those gentlemen gave their emphatic approval to the proposal, and in an exhaustive report showed "that by the Uniform Compound Bonus plan substantial justice is done to all interested, and that as a working system it has marked advantages over the Contribution plan because it gives more uniform results, is more easily understood by and consequently is more popular with the public, and, being much more simple to work, will therefore tend towards reduction of expenditure."

The Compound Reversionary Bonus method was accordingly adopted for the first time at the last valuation, and in a preliminary report of the 14th March last I recommended that its use should be continued on the present occasion.

From the report of the Consulting Actuaries to which I have already alluded the following statement is extracted, as it has an important bearing upon the division of profits: "The Uniform Compound Bonus plan of distributing the surplus having been adopted, we must add that, at future divisions, caution must be exercised when the rate of bonus to be declared comes to be decided. If the rate of bonus is to be maintained from triennium to triennium, care must be observed not to give too high a rate on any one occasion. The plan presupposes strong reserves, and a valuation on a basis which will leave an ample margin in the rate of interest. With such premiums as are charged by the Department the valuation rate of interest should be nearly 20s. per cent. lower than the effective rate actually realised over all the funds if the rate of bonus is not to fall below £1 per cent. per annum. As the effective rate has a tendency slowly to diminish, steps should be taken gradually to bring down the valuation rate from 3½ per cent., at which it now stands, to 3¼ per cent. in the not very distant future." In order to give effect to this sound advice I also recommended that the rate of bonus in the General Section should be £1 per cent. per annum (compound) as before, with the corresponding rate for the Temperance Section, for which purpose £178,994 of the total surplus was necessary. This left a sum of £16,887 to be carried forward against future contingencies, which virtually reduced the valuation rate of interest from £3 10s. per cent. to £3 9s. per cent., thus giving practical effect to the advice of Messrs. Hardy and King contained in the foregoing extract.

These recommendations having received the statutory approval of the Governor in Council I was instructed to give effect thereto, and I have accordingly apportioned the divisible surplus among the participating policyholders, distinguishing between General and Temperance policyholders in regard to profit from favourable mortality in the manner provided for by "The Government Life Insurance Acts Amendment Act, 1890." The result is that policies in the General and Temperance Sections respectively will on this occasion receive compound bonuses of 20s. per cent. and 18s. per cent. upon the sum assured and existing bonuses for each year's premiums paid since the last valuation, the total reversionary bonus so allotted